

KENT HOSPITAL FINANCE AUTHORITY

Financial Statements

For the year ended
December 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | | | | | |
|--|--|--------------------------------------|--|---|--|-----------------------|--|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | | | Local Unit Name KENT HOSPITAL FINANCE AUTHORITY | | County KENT | |
| Fiscal Year End 12/31/06 | | Opinion Date April 9, 2007 | | Date Audit Report Submitted to State | | | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | |
|-----|-------------------------------------|-------------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

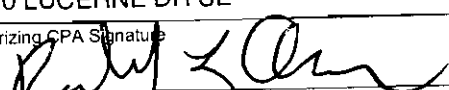
| | | | | |
|--|--|-------------------------------------|--|--------------------|
| We have enclosed the following: | | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | | <input type="checkbox"/> | NOT NECESSARY | |
| Other (Describe) | | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) HUNGERFORD, ALDRIN, NICHOLS & CARTER | | | Telephone Number 616-949-3200 | |
| Street Address 2910 LUCERNE DR SE | | | City GRAND RAPIDS | State MI |
| | | | Zip 49546 | |
| Authorizing CPA Signature  | | | Printed Name RICHARD L. CHRISMAN | |
| | | | License Number | |

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Hungerford, Aldrin,
Nichols & Carter, PC
CPAs AND CONSULTANTS

Shareholders

Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA

INDEPENDENT AUDITOR'S REPORT

April 9, 2007

Board of Commissioners
Kent Hospital Finance Authority
Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Kent Hospital Finance Authority (the "Authority") as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Kent Hospital Finance Authority as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparative information are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Kent Hospital Finance Authority annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2006. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Kent Hospital Finance Authority financially as a whole. The Authority-wide Financial Statements provide information about the activities of the whole Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Authority's operations in more detail than the Authority-wide financial statements by providing information about the Authority's fund - the General Fund.

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements
Notes to the Basic Financial Statements

Budgetary Information for General Fund
(Required Supplemental Information)

Reporting the Authority as a Whole- Government-Wide Financial Statements

One of the most important questions asked about the Authority is, "As a whole, what is the Authority's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Authority's financial statements, report information on the Authority as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the Authority's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relation between revenue and expenses is the Authority's operating results. However, the Authority's goal is to provide services to the hospitals, not to generate profits as commercial entities do.

The statement of net assets and the statement of activities report the governmental activities for the Authority, which encompass all of the Authority's services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Governmental Wide Statements

The Statement of Net Assets provides financial information for the Authority as a whole.

| | |
|--------------------------|------------------|
| Current assets | \$ 42,711 |
| Current liabilities | <u>30,738</u> |
| Net assets- unrestricted | <u>\$ 11,973</u> |

The results of this year's operations for the Authority as a whole are presented in the Statement of Activities.

| | |
|--------------------------------|------------------|
| Program revenues | \$ 35,910 |
| General revenues | <u>586</u> |
| Total revenues | 36,496 |
| Program expenses | <u>35,910</u> |
| Increase in net assets | 586 |
| Net assets - beginning of year | <u>11,387</u> |
| Net assets - end of year | <u>\$ 11,973</u> |

Reporting the Authority's General Fund- Financial Statements

The Authority's fund financial statements provide detailed information about the General Fund. The Authority only has one fund so these statements are exactly the same as the government-wide statements and therefore a reconciliation of the Balance Sheet of the General Fund and the Statement of Activities is not needed.

The Authority's Funds

As noted, the Authority uses the General fund to help it control or manage money for particular purposes. Looking at funds helps the reader consider whether the Authority is being accountable for the resources provided by the Hospitals on a yearly basis. As the Authority completed this year, the General Fund reported a fund balance of \$11,973. The reason for the increase in the fund balance is the interest the Authority earned from its cash account. The General Fund charges each hospital a fee for the services provided and paid for by the Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

State law requires that a budget be prepared to ensure that expenditures do not exceed appropriations. The annual deposits from hospitals are appropriated by the Authority as anticipated revenue from which expected expenditures are paid. Over the course of the year, the Authority can readily determine the budget and usually doesn't have to deal with any unexpected changes in revenues and expenditures.

Capital Assets

As of December 31, 2006, the Authority does not have any capital assets.

Economic Factors and Next Year's Budgets

Due to the size of the Authority, the economic factors, and budget, remain constant each year with small increases in fees and services that are provided by the Authority.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

KENT HOSPITAL FINANCE AUTHORITY
December 31, 2006

| | <u>2006</u> |
|--|-------------------------|
| <i>ASSETS</i> | |
| Current Assets | |
| Cash (fully insured interest bearing deposits) | \$ 33,873 |
| Accounts receivable | <u>8,838</u> |
| Total Assets | <u>42,711</u> |
| <i>LIABILITIES AND NET ASSETS</i> | |
| Current Liabilities | |
| Legal fees payable | 5,738 |
| Deposit fee liability (Note C) | <u>25,000</u> |
| Total Liabilities | <u>30,738</u> |
| Net Assets-Unrestricted | <u><u>\$ 11,973</u></u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

KENT HOSPITAL FINANCE AUTHORITY For the year ended December 31, 2006

| | <u>Expenses</u> | <u>Program Revenues Charges for Services</u> | <u>Net (Expense) Revenue & Changes in Net Assets</u> |
|---------------------------------------|------------------|--|--|
| Function/Programs | | | |
| <i>Primary Activities:</i> | | | |
| Fees | <u>\$ 35,910</u> | <u>\$ 35,910</u> | |
| <i>General Revenues:</i> | | | |
| Interest income | | | <u>\$ 586</u> |
| Change in Net Assets | | | 586 |
| Net Assets - Beginning of Year | | | <u>11,387</u> |
| Net Assets - End of Year | | | <u><u>\$ 11,973</u></u> |

See notes to basic financial statements.

GENERAL FUND – BALANCE SHEET

KENT HOSPITAL FINANCE AUTHORITY

December 31, 2006

With comparative information as of December 31, 2005

| | <u>2006</u> | <u>2005</u> |
|---|-------------------------|-------------------------|
| <i>ASSETS</i> | | |
| Cash (fully insured interest bearing deposits) | \$ 33,873 | \$ 26,203 |
| Accounts receivable | <u>8,838</u> | <u>8,363</u> |
| Total Assets | <u><u>\$ 42,711</u></u> | <u><u>\$ 34,566</u></u> |
| <i>LIABILITIES AND FUND BALANCES</i> | | |
| Liabilities | | |
| Legal fees payable | \$ 5,738 | \$ 5,363 |
| Deposit fee liability (Note C) | <u>25,000</u> | <u>17,816</u> |
| Total Liabilities | <u>30,738</u> | <u>23,179</u> |
| Fund Balances | <u>11,973</u> | <u>11,387</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 42,711</u></u> | <u><u>\$ 34,566</u></u> |

See notes to basic financial statements.

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

KENT HOSPITAL FINANCE AUTHORITY

For the year ended December 31, 2006

With comparative information for the year ended December 31, 2005

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| Revenues | | |
| Fees | \$ 35,910 | \$ 108,192 |
| Interest income | 586 | 664 |
| Total Revenues | <u>36,496</u> | <u>108,856</u> |
| Expenditures | | |
| Legal fees | 30,580 | 99,344 |
| Audit fees | 3,100 | 3,000 |
| Notice of intent | | 385 |
| Publication | <u>2,230</u> | <u>5,463</u> |
| Total Expenditures | <u>35,910</u> | <u>108,192</u> |
| Net Change in Fund Balances | 586 | 664 |
| Fund Balance at Beginning of Year | <u>11,387</u> | <u>10,723</u> |
| Fund Balance at End of Year | <u>\$ 11,973</u> | <u>\$ 11,387</u> |

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

KENT HOSPITAL FINANCE AUTHORITY

For the year ended December 31, 2006

Note A – Organization and Summary of Significant Accounting Policies

Reporting Entity

Kent Hospital Finance Authority (the "Authority") is a governmental entity incorporated in 1977 by the City of Grand Rapids and the County of Kent, Michigan. It operates under a Board of Commissioners, whose members are appointed by the incorporating governments. The Authority's purpose is to provide a financing vehicle for the construction, renovation and acquisition of hospital facilities, in addition to those purposes expressed in Act 38 of the Michigan Public Acts of 1969, as amended.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

Governmental-Wide and Fund Financial Statements

The Governmental-Wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All of the Authority's financial activities are considered governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenue includes (1) charges to hospitals that directly benefit from the services provided by the function and (2) interest income that is used to meet operational needs.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental-Wide Financial Statements- The Governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Amounts reported as program revenue include charges to hospitals and interest income reportedly as general income.

Fund Financial Statements- Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough after thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental fund:

General Fund - The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

NOTES TO BASIC FINANCIAL STATEMENTS

KENT HOSPITAL FINANCE AUTHORITY For the year ended December 31, 2006

Note A – Organization and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash – Cash consists of fully insured interest bearing deposits held in a financial institution.

Receivables and Payables – All receivables are shown net of allowance for uncollectible amounts. The Authority considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Capital Assets – The Authority has no capital assets.

Note B – Stewardship, Compliance, and Accountability

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The Budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is in the function level. State law requires the Authority to have its budget in place by January 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. The state law permits the amending of their budgets.

Amounts encumbered are not tracked during the year. Budget appropriations are considered to be spent once the services are rendered.

Excess of expenditures over appropriations in budgeted funds - The Authority did not have significant expenditure budget variances.

NOTES TO BASIC FINANCIAL STATEMENTS

KENT HOSPITAL FINANCE AUTHORITY

For the year ended December 31, 2006

Note C – Deposit Fee Liability

The Authority receives initial deposits, annual fees, and application fees from hospitals that have obtained financing through the Authority. The annual fees are used to meet certain administrative expenses of the Authority. The Authority refunds any annual fee deposits that exceed annual expenses. Initial deposits are refundable upon dissolution of the Authority. The following is the fee deposit liability at December 31, 2006 and 2005:

| | <u>2006</u> | <u>2005</u> |
|------------------------------|------------------|------------------|
| Pine Rest Christian Hospital | \$ 5,000 | \$ 5,000 |
| Spectrum Health | 10,000 | 10,000 |
| Metropolitan Hospital | 10,000 | 2,816 |
| | <u>\$ 25,000</u> | <u>\$ 17,816</u> |

Note D – Fund Balance

Upon dissolution of the Authority, the ending fund balance is expected to be refunded to the participating hospitals.

Note E – Long-Term Debt

The Authority has issued revenue bonds to finance various hospital facility construction and renovation projects. The bonds are limited obligations of the Authority and do not constitute general obligations of the Authority or claims against its assets. The bonds are payable solely from revenues derived under agreements with the hospitals, which operate the facilities constructed or renovated with bond proceeds. The Authority has assigned all such revenues to the respective bond trustees for purposes of debt service. The Authority has no taxing power.

NOTES TO BASIC FINANCIAL STATEMENTS

KENT HOSPITAL FINANCE AUTHORITY

For the year ended December 31, 2006

Note E – Long-Term Debt (Continued)

The following represents the outstanding principal balance of Kent Hospital Finance Authority bond issues that have not been subject to advance refunding (as described on page 16):

| | December 31 | |
|---|---------------------|--------------|
| | 2006 | 2005 |
| 4.4% to 7.25%, \$44,415,000 Hospital Revenue Refunding Bonds (Butterworth Hospital), Series 1993A, dated September 1, 1993, interest payable semiannually through January 15, 2019 and principal payable annually through January 15, 2019 in amounts ranging from \$875,000 to \$3,715,000. | \$20,355,000 | \$22,900,000 |
| 4.58% to 5.375%, \$34,140,000 Revenue Refunding Bonds (Spectrum Health), Series 1998A, dated June 1, 1998, interest payable semi-annually through January 15, 2013, and principal payable annually through January 15, 2013, in amounts ranging from \$1,645,000 to \$5,215,000. | 18,730,000 | 20,605,000 |
| \$67,200,000 Variable Rate Revenue Refunding Bonds (Spectrum Health), Series 1998B, dated date of delivery, interest payable semi-annually through January 15, 2026 and principal payable upon redemption or maturity on January 15, 2026. These bonds will bear interest at the Weekly Interest rate, a rate per annum determined by the Remarketing Agent. This rate shall not exceed the Maximum Interest Rate of 15% per annum. | 67,200,000 | 67,200,000 |
| \$26,800,000 Variable Rate Revenue Refunding Bonds (Spectrum Health), Series 1998C, dated date of delivery, interest payable semi-annually through January 15, 2026 and principal payable upon redemption or maturity on January 15, 2026. These bonds will bear interest at the Weekly Interest Rate, a rate per annum determined by the Remarketing Agent. This rate shall not exceed the Maximum Interest Rate of 15% per annum. | 26,800,000 | 26,800,000 |
| 4.0% to 5.5%, \$100,000,000 Hospital Revenue Bonds (Spectrum Health), series 2001A, dated January 15, 2001, interest payable monthly through January 15, 2031 and principal payable annually through January 15, 2031 in amounts ranging from \$1,595,000 to \$6,555,000. | 10,360,000 | 12,155,000 |
| \$45,000,000 Auction Rate Hospital Revenue Bonds (Spectrum Health), Series 2001B, dated January 15, 2001, interest payable monthly through January 15, 2031 and principal payable annually through January 15, 2031 in amounts ranging from \$900,000 to \$2,400,000. | 41,200,000 | 42,300,000 |

NOTES TO BASIC FINANCIAL STATEMENTS

KENT HOSPITAL FINANCE AUTHORITY For the year ended December 31, 2006

Note E – Long-Term Debt (Continued)

| | December 31 | |
|---|-------------|-------------|
| | 2006 | 2005 |
| \$9,860,000 Variable Rate Demand Hospital Revenue Refunding Bonds (Pine Rest Christian Hospital) Series 2001, dated November 1, 2001, interest payable monthly at a variable rate as determined by the Remarketing Agent, (convertible to a fixed rate upon election by the Hospital) through November 1, 2010 and principal payable annually through November 1, 2010 in amounts ranging from \$915,000 to \$1,300,000. The variable interest rate shall not exceed the Maximum Interest Rate of 10% per annum. | \$4,860,000 | \$5,945,000 |
| \$152,100,000 Variable Rate Demand Hospital Revenue Refunding Bonds (Spectrum Health) Series 2005A, dated May 1, 2005, interest payable monthly at a variable rate as determined by the Remarketing Agent, (convertible to a fixed rate upon election by the Hospital) through January 29, 2029 and principal payable annually through January 29, 2029 in amounts ranging from \$900,000 to \$17,000,000. The variable interest rate shall not exceed the Maximum Interest Rate of 12% per annum. | 147,100,000 | 152,100,000 |
| \$90,000,000 Auction Rate Hospital Revenue Refunding Bonds (Spectrum Health) Series 2005B, dated May 1, 2005, interest payable semi-annually at a fixed rate until the bonds are called in 2011 and remarketed at a variable rate. The principal is payable at the maturity date of July 15, 2011. | 90,000,000 | 90,000,000 |
| \$135,000,000 Variable Rate Demand Hospital Revenue Bonds (Metropolitan Hospital Project) Series 2005A, dated April 1, 2005, interest payable semi-annual at a variable rate as determined by the Remarketing Agent, (convertible to a fixed rate upon election by the Hospital) through July 1, 2040 and principal payable annually starting July 1, 2009 through July 1, 2040 in amounts ranging from \$1,330,000 to \$9,815,000. The variable interest rate shall not exceed the Maximum Interest Rate of 12% per annum. | 135,000,000 | 135,000,000 |

NOTES TO BASIC FINANCIAL STATEMENTS

KENT HOSPITAL FINANCE AUTHORITY

For the year ended December 31, 2006

Note E – Long-Term Debt (Continued)

| | December 31 | |
|--|--------------|--------------|
| | 2006 | 2005 |
| \$30,000,000 Variable Rate Demand Hospital Revenue Refunding Bonds (Metropolitan Hospital Project) Series 2005B, dated April 1, 2005, interest payable monthly at a variable rate as determined by the Remarketing Agent, (convertible to a fixed rate upon election by the Hospital) through July 1, 2040 and principal payable annually commencing July 1, 2009 through July 1, 2040 in amounts ranging from \$435,000 to \$1,700,000. The variable interest rate shall not exceed the Maximum Interest Rate of 12% per annum. | \$30,000,000 | \$30,000,000 |

| | | |
|--|------------|--|
| \$10,030,000 Variable Rate Demand Limited Obligation Hospital Revenue Bonds (Pine Rest Christian Mental Health Services Project) Series 2006, dated October 1, 2006, interest payable monthly at a variable rate as determined by the Remarketing Agent (convertible to a fixed rate upon election by the Hospital) through October 1, 2041 and principal payable every 5 years commencing October 1, 2011 through October 1, 2031 in amounts ranging from \$2,005,000 to 2,010,000. The variable interest rate shall not exceed the Maximum Interest Rate of 10% per annum. | 10,030,000 | |
|--|------------|--|

Certain bond obligations have been defeased and the related indebtedness discharged as a result of the hospitals issuing advance refund bonds. Concurrent with the issuance of the refunding bonds, the hospitals have deposited certain U.S. Government security investments in irrevocable escrow funds to satisfy the related obligations. The following are the remaining principal balances of the obligations that were either partially or fully refunded in advance:

| | December 31 | |
|---|--------------|--------------|
| | 2006 | 2005 |
| 4.0% to 5.5%, \$100,000,000 Hospital Revenue Bonds (Spectrum Health), series 2001A, dated January 15, 2001, interest payable monthly through January 15, 2031 and principal payable annually through January 15, 2031 in amounts ranging from \$1,595,000 to \$6,555,000. | \$82,865,000 | \$82,865,000 |

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

KENT HOSPITAL FINANCE AUTHORITY
For the year ended December 31, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Actual Over (Under) Budget</u> |
|--|------------------|------------------|---------------------------------------|
| Total Revenues | \$ 35,910 | \$ 36,496 | \$ 586 |
| Total Expenditures | 35,910 | 35,910 | |
| Net Change in Fund Balance | | 586 | 586 |
| Fund Balance at Beginning of Year | 11,387 | 11,387 | |
| Fund Balance at End of Year | \$ 11,387 | \$ 11,973 | \$ 586 |